

Chairman Louis Cononelos  
Director David Ure

**Board of Trustees  
School & Institutional Trust Lands Administration  
Salt Lake City, Utah**

**June 16, 2016  
9:00 a.m.**

**Minutes**

**Board**

Louis Cononelos  
Jim Lekas  
Tom Bachtell  
Lonnie Bullard  
Scott Ruppe  
Roger Barrus (Absent)  
Mike Mower (Absent)

**Staff**

David Ure  
John Andrews  
Rodger Mitchell  
Ron Carlson  
LaVonne Garrison  
Tom Faddies  
Lisa Schneider  
Jeff Roe  
Nannette Johnson  
Deena Loyola  
Wes Adams  
Jim Davis  
Rick Wilcox  
Scott Bartlett  
Chris Fausett  
Diane Lund  
Nancy Strickland  
Kyle Pasley  
Alexa Wilson  
Tonya Mortensen

**Others in Attendance:**

Paula Plant, Utah State Office of Education  
Karen Rupp, Utah State Office of Education  
Natalie Gordon, Utah State Office of Education  
Trudy Henderson, UEA  
Tracy Miller, PTA  
Keith Brady, Emery County Commissioner  
Margaret Bird, Universities  
Darcy Stewart, Sun River St. George  
David Nilsson, Sun River St. George  
Rikki Hrenko-Browning, Enefit American Oil  
Donald Foot, Confirmed Future Board Member

**Board of Trustees  
School & Institutional Trust Lands Administration  
Salt Lake City, Utah**

**June 16, 2016  
9:00 a.m.  
Agenda**

<b><u>Topic</u></b>	<b><u>Page No.</u></b>
<b>1. Welcome</b>	3
<b>2. Approval of Board Minutes for May 19, 2016</b>	3
<b>3. Confirmation of Upcoming Meeting Dates</b>	3
<b>4. County Advisory Committee, Northern Ute Tribe &amp; Public Comment Period</b>	3
<b>5. Consent Calendar</b>	
<b>Consent</b>	4
<b>Notification</b>	
a. Coral Canyon Five-Acre Commercial Parcel	4
b. Notice of Sale, Mile Post 2 Visitor Convenience Parcel	5
c. Sale of 0.131 Acre Parcel in the Green Springs Area of Washington County	5
<b>Follow-up after Six Months</b>	5
<b>6. Chair's Report</b>	
a. Land Exchanges Near Municipalities in Emery County	5
<b>7. Director's Report</b>	
a. Director's Update	6
b. Land Exchange Distribution Account (LEDA) Presentation	7
c. Surface Land Auction Report	7
d. Overview of County Road Claims Process	8
e. Uintah Co. In-Lieu Selections [Closed Session]	8
f. Exchange and Pending Litigation Update [Closed Session]	9

## 1. Welcome

Chairman Louis Cononelos welcomed everyone and thanked those in attendance for making time to participate. Board members Mike Mower and Roger Barrus were excused from the meeting due to other commitments.

Chairman Cononelos introduced Commissioner Keith Brady from Emery County who will address the Board during the Chair's Report, and Donald Foot, the new appointee to the Board of Trustees who will be sworn-in at the August Board Meeting.

Rodger Mitchell of the Development Group introduced Darcy Stewart and David Nilsson from Sun River St. George who will address the Board during the Public Comment period. LaVonne Garrison of the Oil & Gas Group introduced a new employee in her workgroup, Wes Adams. Director David Ure introduced Tonya Mortensen as a new assistant to the Board of Trustees. Rikki Hrenko-Browning, from Enefit American Oil, was also present to participate in discussions in closed session.

## 2. Approval of Board Minutes for May 19, 2016

The Board approved the minutes of the last meeting with changes removing Lonnie Bullard from votes as he was not in attendance. Mr. Bachtell said because the May meeting was held in Duchesne County the minutes should clarify that the comments made by the Tribe about the county attorney were referencing the Uintah County attorney.

"I make the motion to approve the Minutes of May 19, 2016, with the modifications noted."

Motion: Bachtell/Lekas

Roll Call:

Louis Cononelos – yes

Jim Lekas – yes

Tom Bachtell – yes

Lonnie Bullard – yes

Scott Ruppe – yes

## 3. Confirmation of Upcoming Meeting Dates

*July 10-14 WSLCA in Sandpoint, Idaho*

October 20 Salt Lake City

August 18 Salt Lake City

November 17 Salt Lake City

September 14-15 Meeting & Tour

December No Meeting

There were no changes to the meeting schedule for the remainder of the calendar year. The Board expressed interest in a tour in St. George and asked the Agency to look into organizing a tour to see projects in St. George later this year.

## 4. County Advisory Committee, Northern Ute Tribe & Public Comment Period

Darcy Stewart addressed the good relationship between Sun River St. George and SITLA, beginning in September 2004 with the purchase of \$20 million worth of SITLA property, and the development is now right at 2000 homes. Mr. Stewart said he, and his colleague David Nilsson, wanted to attend the Board meeting to introduce themselves, see the process, and convey Sun River's hope that the partnership continues for many years.

Chairman Cononelos asked if there were individuals present who would like to address the Board with public comments. There were no additional requests for public comment.

## **5. Consent Calendar**

### **Consent**

There were no Consent items for this meeting.

### **Notification**

Rodger Mitchell noted that the items listed below are making good progress. Mr. Mitchell introduced Kyle Pasley, as the Deputy Assistant Director in the SITLA St. George Office, for a more detailed report to the Board.

#### **a. Coral Canyon Five-Acre Commercial Parcel**

Mr. Pasley reported on the proposed transaction for the Coral Canyon commercial parcel. It is a separate project on the Hurricane City side of State Route 9, considered during pre-negotiations. The hotel group currently owns six hotel sites in the area. The original request included six acres, in two 3-acre parcels; use of a simple sale structure, and all-cash transactions for two mid-tier hotel sites in Coral Canyon. The new request is for five acres, split into 2.5-acre parcels for the transaction. The original offer was for \$3.15 per square foot or appraised value, whichever was higher. The appraised value of the parcel is \$5.50 per square foot, which will be used for the transaction price resulting in approximately \$1.197 million. Mr. Pasley noted that the Beneficiaries requested a 15-year no-compete clause in the contract for 40-acres of the master planning area.

Chairman Cononelos asked if Mr. Mitchell was suggesting the clause be a recommendation to the buyer. Mr. Mitchell confirmed his preference for the clause to be a recommendation rather than a requirement. The Chairman requested comments from the Beneficiaries regarding the no-compete clause. Margaret Bird spoke on behalf of the Beneficiaries to say the no-compete clause in the transaction would be a reasonable condition at the appraised value identified earlier. She further expressed the likelihood that the clause would not be too restrictive to the buyer based on the market in the St. George area, which is much like Moab as a visitor attraction and recreation destination. Mr. Mitchell felt the project was advantageous to the Beneficiaries at the appraised price. He also defined the value of the 15-year no-compete clause. However, he was concerned that the clause not be a factor to prevent the completion of the transaction. Mr. Mitchell believes the appraised value is significant to the trust and an important opportunity at this time relative to the St. George commercial market.

Chairman Cononelos asked the Board of Trustees, especially those serving on the Real Estate Committee, for comments or opinions on the transaction and the clause. Lonnie Bullard said he is not partial to no-compete clauses. He knows this project is a cash offer from the hotel group, but believes other options in the area are available. He believes the 15-year clause is a good idea. Mr. Bullard commented that hotel projects are tough during the initial development phase. Once the property is open, operating, and established, the projects are easier to manage. Mr. Bullard noted that the Board required cash and, therefore, does not participate in market risk.

Chairman Cononelos recommended this project be approved with the requirement for the 15-year no-compete clause. He asked that the issue be revisited at the August Board meeting.

#### **b. Notice of Sale, Mile Post 2 Visitor Convenience Parcel**

Mr. Pasley provided information regarding the South Block Master Plan on the road leading to the St. George Airport at Mile Post 2 on State Route 7. There is an approximate 21-acre parcel designated for commercial-convenience use on the north side of State Route 7. Mr. Pasley mentioned that attempts for a previous agreement with Love's Travel were not successful due to design-criteria requirements.

In January 2016, Mr. Stewart, representing Sun River St. George, expressed an interest in purchasing the entire acreage to develop a travel plaza and other possible uses. SITLA advertised the parcel for sale, but there were no other competing offers. Mr. Pasley indicated the parcel needs sewer lines and other utility work. This transaction has no other requirements or restrictions, is a fee sale, with a one-time close, appraised at \$3.25 per square foot or \$2.98 million. Chairman Connelos stated the Board is aware of the parcel and visited the area previously. Mr. Mitchell suggested that perhaps a truck stop could be included on the proposed parcel. Chairman Connelos asked what the approximate cost would be for the sewer line. Mr. Mitchell estimated the cost to be around \$400,000.

Mr. Bullard echoed the appreciation for a working relationship with Sun River and invited Mr. Stewart to comment on the parcel and outline the intent following the purchase by Sun River. Mr. Stewart said Sun River is buying the parcel to control what is built on the space. While no plans are set for the space, Mr. Stewart assured the Board the peak parcel will be used for the best purpose as the site is the entry and exit for the area Sun River is developing. Mr. Stewart also noted that Sun River holds leases on all trust lands in the area west of I-15. Mr. Bullard expressed that Sun River has a long-range program for the area that is favorable to SITLA, a large landowner in St. George.

#### **c. Sale of 0.131 Acre Parcel in the Green Springs Area of Washington County**

Mr. Pasley reported on a parcel near Mile Post 13 in the Green Springs Master Plan. There is a wilderness zone near the area that creates a land-lock situation for various SITLA parcels. A homeowner, whose property borders part of the parcel, would like to purchase the 0.131-acre area within the next year. Neighboring homeowners have purchased similar parcels behind their homes per Board approval. The parcel price is \$23,340 per acre. This sale would dispose of a property that has no other value for the Trust. Tom Bachtell inquired if SITLA has approached other homeowners near the parcel about the sale of this specific parcel. Mr. Pasley replied that other neighbors either already purchased the extra parcels adjacent to their property, or are not interested. Jim Lekas asked what determined the border of the setback adjacent to the homeowners' property. Mr. Pasley said a Washington City hillside protection ordinance makes the distinction. Under the hillside protection ordinance, no construction of any kind can take place on that land. Chairman Connelos asked if the Real Estate Committee reviewed the transaction to which Mr. Pasley answered yes.

#### **Follow-up after Six Months**

There were no follow-up items for this meeting.

### **6. Chair's Report**

#### **a. Land Exchanges near Municipalities in Emery County**

Keith Brady, County Commissioner for Emery County, presented information that an abundance of public land prevents economic growth in Emery County. This essentially holds the area hostage. Commissioner Brady said he visited with the city and county land councils to propose exchanging

land between SITLA and the Bureau of Land Management (BLM) within the county to address this problem, and asked the Board how best to proceed. Private, absentee landowners in Emery County ask for the highest price for their land, rather than market value, which is not viable for the county or the city.

Chairman Cononelos asked John Andrews to give some background information concerning this situation. Mr. Andrews acknowledged that SITLA has worked with the BLM in the past on land exchanges to help economic growth. Mr. Andrews noted that there have been efforts in the past with Emery County. Those efforts have met with similar challenges as those defined by the Commissioner. Chairman Cononelos asked Mr. Brady if he has already talked to other municipalities about this matter. Commissioner Brady confirmed that he wanted to gather information to understand the issues with land availability and building the county tax base. The Commissioner said he also spoke to grazers who said SITLA is easier to work with but the BLM's Animal Unit Month (AUM) rate is cheaper.

Mr. Bullard asked John Andrews if there was a way to be more flexible with exchanges for potential development of lands in Emery County. Mr. Andrews said there is potential for more flexibility, but added that the BLM is not as flexible as SITLA due to federal regulations. Mr. Bullard noted that the Board does not regard SITLA land as 'open space' by charter; rather the Board looks to develop the land. Chairman Cononelos agreed and asked if other Board members would like to comment. Tom Bachtell inquired if BLM looks at their appraisal process for future development. Mr. Andrews indicated that BLM appraisers look for the highest and best use.

Mr. Lekas recommended that Mr. Brady identify specific lands in Emery County they feel have value, and bring the information back to the Board for review. Commissioner Brady accepted the recommendation and said he and the other county commissioners will review their maps to decide how to proceed. Chairman Cononelos felt it was important to help Emery County, and asked Director Ure to work with SITLA staff to support Emery County.

## **7. Director's Report**

### **a. Director's Update**

Director Ure thanked Commissioner Brady for attending the Board meeting and stated that SITLA was happy to work with a unified Emery County Commission to bring ideas to the Board.

Director Ure said SITLA was invited to Washington City to meet with the Mayor and the City Council. Washington City is concerned about Exit 13 and what is evolving. It was helpful to meet and discuss how SITLA and Washington City can work together to consider long-range plans. Director Ure thanked the staff in the St. George area for the work they do, to be aware of those long-range plans, and represent the agency in those plans when it is appropriate.

Director Ure went on to say SITLA learned that working with counties has been advantageous in building and maintaining good relationships. Director Ure articulated that SITLA is willing to work with cities and counties in compliance with local zoning ordinances. Use of a "big hammer" approach will not be a SITLA practice simply because the Utah Legislature created the option for the agency to act outside of zoning ordinances. Rather, SITLA will seek compliance with city and county zoning requirements whenever possible.

Director Ure reminded the Board he is interested in suggestions for topics at a retreat later this year.

Director Ure updated the Board that Governor Herbert joined with the Ute Tribe in signing a criminal jurisdiction agreement with the State of Utah and Uintah County on Tuesday, June 14, 2016.

**b. Land Exchange Distribution Account (LEDA) Presentation**

Ron Carlson explained that federal law gives states half of all leasable mineral revenues from federal lands. Those proceeds mainly flow to the counties. When SITLA acquired BLM lands in an exchange during the late 1990s, the agency assumed responsibility for 50% of the mineral revenue sharing obligation. From 1999 to 2007, the State Mineral Lease Account (“MLA”) required SITLA to send collected funds to the state and ultimately to county Special Service Districts. LEDA replaced MLA in March of 2007. LEDA gives counties a flexible funding source from SITLA land exchanges. LEDA only affects SITLA lands acquired from BLM with leasable minerals. LEDA was executed in certain land exchanges such as Grand Staircase and Utah Recreation Exchange, but not Hill Creek and UTTR exchanges. LEDA applies in future exchanges with BLM if the value of the acquired lands is discounted to reflect SITLA’s assumption of the federal revenue sharing obligation.

Mr. Carlson conveyed more information about monument exchange such as the School Fund receives 48.5% of rents and royalties, where LEDA receives 48.5% of bonus rents, and royalties. The Agency retains a three percent fee for administrative activity. If the fiscal year-end balance is above statutory threshold, the Beneficiaries receive the excess funds. Mr. Carlson presented the revenue distributions from January 1999 to March 2016, which included \$135,241,238 for the School Fund. He also reported that the School Fund received \$353,956 from the Utah Recreational Land Exchange from July 2015 to March 2016. Mr. Carlson explained that of the state’s share, 55% of 80% goes to those counties where revenue is generated on SITLA-acquired land.

Chairman Cononelos asked if anyone ever speculated on the revenue lost due to the sterilization of the largest known coal deposit in Utah found in the Escalante Monument designation. Mr. Andrews indicated no specific research has been done to date.

The PowerPoint presentation is available on the Public Notice Website.

**c. Surface Land Auction Report**

Diane Lund reported the results of the Surface Land Auction held May 25, 2016. Some of the properties are recreation properties containing steep slopes that are not valuable for other purposes. Several of the properties were previously sold, and were later returned to SITLA ownership. When those same properties were returned, SITLA had the opportunity to sell the parcels again. In total, 12 properties sold for \$3.6 million, which also translates to \$778,000, or 27%, more than the appraised amounts. In addition, the total sale was 16% above the minimum amounts set by the Surface Group.

Chairman Cononelos inquired of Ms. Lund about land forfeitures that were resold in this auction, and if SITLA had returned any collected funds from initial down payment, closing costs, and some monthly payments from various buyers. Ms. Lund said none of the land forfeitures resulted in funds being returned to the buyer when the land returned to SITLA ownership. Many forfeitures occurred during the economic downturn starting in 2008.

The PowerPoint presentation is available on the Public Notice Website and the agency website at [www.trustlands.utah.gov](http://www.trustlands.utah.gov).

#### **d. Overview of County Road Claims Process**

Scott Bartlett presented the process of ‘Road Rights of Way.’ SITLA has been working for several years to clarify, clean up, and update information on county roads within the state. Now, with a wealth of experience, SITLA is continually trying to improve the process. Previously, the counties used 1990s technology and equipment to obtain prevailing road data, which resulted in the Beneficiaries receiving incorrect compensation. Now, SITLA checks road data, such as legal descriptions, against evidence using current technology, and General Land Office (“GLO”) surveys from the BLM. Since recently updated BLM section data can shift the section boundaries on the SITLA map, there are many roads to process within SITLA’s regular easement program. A licensed surveyor must provide the legal descriptions. Counties with surveyors have offered help to those without licensed surveyors. SITLA recently created a Road Specialist position, held by Nancy Strickland, to process easements in a timely manner. An effort by SITLA is underway to complete road survey analyses of Class B and Class D roads in the state. Thus far, the county road claims process is complete in Duchene, Carbon, Uintah, and Sevier counties. Mr. Bartlett said the effort creates good public relations with the counties, while the advantage is to the Beneficiaries receiving appropriate compensation. Since 2006, the Beneficiaries have received \$3.1 million from the easement program.

Mr. Lekas asked about the possibility of having an action item to change the rule if a county road does not have the required 66-foot width. Mr. Bartlett explained that SITLA could execute a simple amendment to address the issue. Mr. Bullard asked what the process is for resolving issues of multiple roads to the same place. Mr. Bartlett specified there are no conflicts to date so no process is currently in place.

The PowerPoint presentation is available on the Public Notice Website.

#### **e. Uintah Co. In-Lieu Selections**

The Board went into closed session at 10:50 a.m. for the purpose of a strategy session to discuss the purchase, exchange, or lease of real property; and to discuss pending or reasonably imminent litigation.

“I make the motion the Board go into closed session for the purpose of a strategy session to discuss the purchase, exchange, or lease of real property; and to discuss pending or reasonably imminent litigation.”

Motion: Lekas/Ruppe	Unanimous	
Roll Call:		
Louis Cononelos – yes	Jim Lekas – yes	Tom Bachtell – yes
Lonnie Bullard – yes	Scott Ruppe - yes	

Present for the closed session were Board members Louis Cononelos, Jim Lekas, Lonnie Bullard, Tom Bachtell, and Scott Ruppe. Also present were Director Ure, LaVonne Garrison, Wes Adams, Tom Faddies, Rikki Hrenko-Browning, Margaret Bird, Paula Plant, Natalie Gordon, Nannette Johnson, and Tonya Mortensen.



**f. Exchange and Pending Litigation Update**

This topic was discussed in closed session.

The Board returned from closed session at 11:50 a.m.

“I make the motion to the Board to return to open session.”

Motion: Lekas/Bachtell      Unanimous

Roll Call:

Louis Cononelos – yes      Jim Lekas – yes      Tom Bachtell – yes

Lonnie Bullard – yes      Scott Ruppe - yes

Upon return to open session, Scott Ruppe made the motioned to adjourn at 11:55 a.m.

**Meeting Adjourned**